

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W

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R 110323Z JAN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 247

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USADB

TREADURY FOR FINKEL

E.O. 11652: ADS, DECLAS 12/31/74

TAGS: EAID, EFIN

SUBJECT: ADB INVESTMENT GUIDELINES

SUMMARY: ADB MANAGEMENT PROPOSES TO HAVE BOARD DISCUSSION OF BANK'S INVESTMENT POLICY, WHICH WAS LAST REVIEWED IN NOV 1972. TWO DOCUMENTS HAVE BEEN ISSUED TO FACILITATE DISCUSSION SCHEDULED FOR JAN 31. NO CHANGES IN INVESTMENT POLICY ARE PROPOSED. USADB RECOMMENDS IT BE AUTHORIZED TO CONCUR IN APPROVAL OF STATED CRITERIA FOR SELECTION OF DEPOSITORIES OF BANK FUNDS. END SUMMARY.

1. ADB DOC R2-74 ENTITLED "REVIEW OF BANK'S INVESTMENT GUIDELINES" AND WORKING PAPER 1-74 ENTITLED "PROCEDURAL ASPECTS OF INVESTMENT OF FUNDS" POUCHED JAN 9 ARE TO BE CONSIDERED BY BOARD OF DIRECTORS JAN 31.

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2. BOARD OF DIRECTORS LAST REVIEWED BANK'S INVESTMENT

GUIDELINES NOV 21, 1972, AT WHICH TIME IT WAS INDICATED THERE SHOULD BE FURTHER DISCUSSION OF BANK'S INVESTMENT POLICY. WORKING PAPER 1-74 DESCRIBES CERTAIN PROCEDURAL ASPECTS FOLLOWED IN CONNECTION WITH HANDLING BANK'S INVESTMENTS. DOC R2-74 DOES NOT PROPOSE ANY CHANGES IN INVESTMENT POLICY. IT DOES RECOMMEND THAT BOARD APPROVE FOLLOWING CRITERIA REGARDING SELECTION OF DEPOSITORIES FOR INVESTING BANK'S FUNDS NOT CURRENTLY NEEDED IN OPERATIONS.

A. DEPOSITORY BANK SHOULD BE AMONG LEADING BANKS IN MEMBER COUNTRY CONCERNED AND SHOULD OFFER COMPETITIVE TERMS FOR BANK'S INVESTMENTS.

B. IT SHOULD ASSIST BANK AS NECESSARY IN CONNECTION WITH ITS VARIOUS ACTIVITIES, EG., LOAN PARTICIPATIONS, UNDERWRITINGS, ETC.

C. IT SHOULD BE IN COUNTRY HAVING CONVERTIBLE CURRENCY AND SHOULD BELONG TO AND BE INCORPORATED IN A CONVERTIBLE CURRENCY COUNTRY.

D. BANK'S TOTAL DEPOSITS WITH ANY INDIVIDUAL BANK SHOULD NOT EXCEED ONE PERCENT OF TOTAL DEPOSITS OF SUCH DEPOSITORY BANK, OR \$15 MILLION EQUIVALENT.

E. WHEN DEPOSITORY BANK OPERATES IN FOREIGN COUNTRIES NOT AS BRANCH BUT AS AFFILIATE OR SUBSIDIARY OF PRINCIPAL BANK OR BANKS, BANK'S DEPOSITS WITH SUCH SUBSIDIARY OR AFFILIATE SHOULD NOT EXCEED FIVE PERCENT OF TOTAL DEPOSITS OF LATTER, PROVIDED HOWEVER THAT BANK'S DEPOSITS SHOULD ALSO NOT EXCEED ONE PERCENT OF TOTAL DEPOSITS OF PARENT BANK(S) CONCERNED, OR \$15 MILLION EQUIVALENT.

3. DOC R2-74 FURTHER NOTES THAT CURRENT INVESTMENT GUIDELINES PERMIT INVESTMENT ONLY IN OBLIGATIONS OF OR OBLIGATIONS GUARANTEED BY MEMBER COUNTRIES. HOWEVER, IN SOME MEMBER COUNTRIES PUBLIC BODIES OTHER THAN CENTRAL OR FEDERAL GOVT ARE EMPOWERED TO ISSUE BONDS AND SIMILAR LIMITED OFFICIAL USE

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OBLIGATIONS AND SUCH BONDS OR OBLIGATIONS (E.G., U.S. FEDERAL AGENCY OBLIGATIONS) ARE REGARDED AS SECURE INVESTMENT BY INVESTORS IN GENERAL. IN FUTURE, BANK MAY SUBMIT SPECIFIC CASES TO BOARD FOR APPROVAL.

4. DOC R2-74 ALSO NOTES THAT UNDER PRESENT GUIDELINES INVESTMENTS IN SECURITIES ARE LIMITED TO THOSE MATURING NOT MORE THAN FIVE YEARS FROM DATE OF PURCHASE. IN

SOME CASES SUITABLE SECURITIES MATURING WITHIN FIVE YEARS ARE SOMETIMES NOT AVAILABLE, WHILE SECURITIES OF SOMEWHAT LONGER MATURITIES CAN BE PURCHASES ON FAVORABLE TERMS. WHEN OCCASION ARISES IN FUTURE THAT AN APPROVED SECURITY OF SUCH MATURITY MAY BE SUITABLE FOR INVESTMENT, BANK CONTEMPLATES REFERRING MATTER TO BOARD ON CASE-BY-CASE BASIS.

5. USDADB PERCEIVES NO OBJECTION TO ABOVE-MENTIONED PROPOSALS AND RECOMMENDS IT BE AUTHORIZED TO CONCUR.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, BANKS  
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**Copy:** SINGLE  
**Draft Date:** 11 JAN 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Review Content Flags:**  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ADB INVESTMENT GUIDELINES SUMMARY: ADB MANAGEMENT PROPOSES TO HAVE BOARD DISCUSSION  
**TAGS:** EAID, EFIN, ADB  
**To:** STATE  
**Type:** TE  
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